

Rochester Institute of Technology RIT Scholar Works

Theses

8-2019

Being a Social Enterprise: Value-added or Fuel to the Misconceptions? The Case of Social Enterprises in Kosovo

Majlinda Dervishi
mxd5590@rit.edu

Follow this and additional works at: <https://scholarworks.rit.edu/theses>

Recommended Citation

Dervishi, Majlinda, "Being a Social Enterprise: Value-added or Fuel to the Misconceptions? The Case of Social Enterprises in Kosovo" (2019). Thesis. Rochester Institute of Technology. Accessed from

This Senior Project is brought to you for free and open access by RIT Scholar Works. It has been accepted for inclusion in Theses by an authorized administrator of RIT Scholar Works. For more information, please contact ritscholarworks@rit.edu.

Being a Social Enterprise: Value-added or Fuel to the Misconceptions? The Case of Social Enterprises in Kosovo

An Honors Society Project

by

Majlinda Dervishi

In Partial Fulfillment of the Requirements for Membership in the Honors Society of RIT Kosovo

Supervisor: Venera Demukaj, Ph.D.

August 2019

Table of Contents

List of Figures	3
List of Tables	4
List of Acronyms	4
Abstract.....	5
Statement of Problem.....	6
Introduction.....	7
Literature Review.....	9
What are Social Enterprises	9
History of Social Enterprises	11
Poor Understanding of the ‘Social Enterprises’ Concept	12
Social Enterprises in Kosovo	14
Legal Infrastructure of Social Enterprises in Kosovo	14
Social Enterprise Success Stories	16
Methodology	18
Secondary Data Collection	18
Primary Data Collection	18
Part 1: Semi-structured interviews	18
Part 2: Survey.....	20
Limitations in Data Collection.....	20
Results and Analysis.....	22
Lack of Literature and Previous Knowledge	22
Marketing Efforts of Social Enterprises.....	24
Role of Education in Social Enterprise Development and Awareness about Social Enterprises.....	25

Social Enterprises in the Market	26
The Importance of the Legal Infrastructure for Social Enterprises.....	28
Practices that Social Enterprises Should Follow.....	29
Survey Results	30
Profile of Respondents	30
Consumer Behavior of the Respondents	31
Awareness and Understanding of Social enterprises	32
Conclusion and Recommendations.....	39
References.....	43
Appendices.....	45
Appendix 1: Informed Consent Form for Social Enterprise Representatives	45
Appendix 2: Informed Consent Form for Social Enterprise Experts	46
Appendix 3: Social Enterprise Expert Interview Questions	47
Appendix 4: Social Enterprise Representative Interview Questions	48
Appendix 5: Survey Questions	50

List of Figures

<i>Figure 1: The age of the survey respondents</i>	30
<i>Figure 2: Level of education of respondents</i>	30
<i>Figure 3: Factors that affect purchase</i>	31
<i>Figure 4: Methods to get information about product/service</i>	31
<i>Figure 5: Preferred way of buying a product/service.....</i>	32
<i>Figure 6: Awareness about social enterprises.....</i>	32
<i>Figure 7: What respondents think a social enterprise is</i>	33

<i>Figure 8: Responses to form of organization of social enterprises</i>	<i>36</i>
<i>Figure 9: Characteristics of social enterprises responses.....</i>	<i>37</i>
<i>Figure 10: Purchasing from social enterprises responses</i>	<i>37</i>
<i>Figure 11: Intention to buy a product/service that contributes back the society.....</i>	<i>38</i>

List of Tables

<i>Table 1: Definitions of Social Enterprises by USA and UK</i>	<i>15</i>
<i>Table 2: Comparison of knowledge about Social Enterprises from those that have and have not heard about social enterprises</i>	<i>35</i>

List of Acronyms

CSO – Civil Society Organizations

EC – European Commission

EU – European Union

MLSW – Ministry of Labour and Social Welfare

OECD - Organisation for Economic Co-operation and Development

SBI – Social Business Initiative

Abstract

The main focus of this research study is to understand the current state of social enterprise development in Kosovo and public perception about them, as well as to look at the methods that social enterprises use to reach their customers. Since social enterprises have emerged as innovative models in the recent decades, their importance has been growing continuously. The social enterprise's approach to address social and environmental issues through a market-driven approach has contributed to its financial stability and long-term sustainability. However, the public has not been able and has not been educated to grasp the concept of social enterprises. Most commonly, social enterprises have been linked to non-governmental organizations, charities amongst others. Such misconceptions have hindered the further development of social enterprises. Kosovo has enjoyed a growth of social enterprises, but little research has been done in this area. With this in mind, this study, which includes both primary and secondary data, analyzes what exactly social enterprises are doing to reach their customers, and, most importantly, how the public perceives social enterprises. Interviews with social enterprise experts and social enterprise representative have been conducted, along with a survey with 225 respondents, and research in regards to social enterprises in other countries have been conducted to provide a list of recommendations for social enterprises in Kosovo.

Statement of Problem

Citizens are constantly faced with numerous social and environmental problems, and due to their limited capabilities to address such problems themselves, many initiatives, projects, and non-governmental organizations have surfaced as a solution. However, financial instability and donor-dependency have been factors that have hindered the potential gains that the society could have enjoyed from these initiatives. This has given way to a new form of organization i.e. social enterprises, which through the sale of goods and services can target such social problems in an innovative fashion. As such, social enterprises represent a combination between a social mission determined to target certain social issues coupled with business models which give the stability and sustainability such enterprises need. As such, for developing countries like Kosovo, that is still struggling to address major social problems such as a high unemployment, gender inequality, poor health and education system, to name a few, social enterprises surely provide much needed support. However, the lack of awareness from both the public and the government, and huge misconceptions towards how social enterprises function, have tainted and slowed down the growth of social enterprises generally in the world, including Kosovo. Against this background, this study aims to provide an overview of social enterprise development in Kosovo and to specifically analyze attitudes towards social enterprises in Kosovo as well as look at the methods that social enterprises utilize to reach their target audience. In doing so, this study aims to gain a better understanding of public perception of social enterprises, raising awareness about social enterprises and provide recommendations on how should such social enterprises tackle the misconceptions and reach a wider customer base.

Introduction

Integrating profit-making activities with socially oriented gains, i.e. social enterprises, is a rather new concept; however, it has been growing immensely as a phenomenon for the past two decades. A report by Deloitte about the rise of social enterprises shows how more and more business leaders now see their businesses not as companies, but rather institutions that can drive social change (Deloitte Insights, 2018). The report shows that around 65% of the participating companies rated 'inclusive growth' as one of the main three company-wide goals. Also, 'citizenship and social impact' have been rated critically important by 77% of the companies surveyed (2018).

The rise of social enterprises has also become apparent in the Western Balkans; however, currently the social enterprise ecosystem lacks many necessary preconditions, which affect their growth. One of them being law on the conduct of social enterprises. Such legal frameworks define the structure and create obligations for such social enterprises, which will help further in their development. For example, according to Kosovo's Law on Social Enterprises, some of the fiscal incentives that social enterprises enjoy are: exemption from tax on profit, and exemption from Value Added Tax for imported goods and/or services (Law on Social Enterprises, 2018). However, such law has some major imperfections, which will be discussed in detail later in this study.

Furthermore, social enterprises in Western Balkans are focused on only domestic markets because of their small size in fields such as food services, education, gifts, décor and so forth. Such narrow focus can also pose a threat to the businesses' further growth (NESst, 2017). Other challenges faced by the social enterprises in the Western Balkans, but also by social enterprises worldwide, include lack of awareness of social enterprises by both the public and private sector, lack of sustainable business models, and lack of access to public sector markets. (2017).

While the state of play of social enterprises in the Western Balkans still poses a struggle, Western Europe is already experiencing the benefits of social enterprises. For example, in France, social enterprises account for 10% of its GDP; during 2008-2014, social enterprises grew

by 20% in Italy and by 12% in Belgium. This further proves that social enterprises can reach “full potential if an enabling environment is in place to allow them to start-up, scale-up and flourish” (OECD & EU, 2017).

Another important factor that has hindered the development of social enterprises is the lack of awareness about social enterprises. For example, a study done in Great Britain where 1,000 people were surveyed showed that while people support social enterprises, there is a huge gap in whether they understand what such social enterprises actually are (Jervis, 2013). Most commonly, the respondents identified social enterprises as organizations who relied on grants or donations, or that they returned all their profits to their shareholders (2013). This view is quite concerning. Great Britain is considered one of the worldwide leaders in social enterprises, whereby, about 70,000 businesses are set up with a social and environmental mission (Mannion, 2018).

A somewhat similar scenario is present also in other countries such as India. Social entrepreneurs are linked with “social work, philanthropy or working for a noble cause” (Potdar, 2018). Such view is shared by the public, but also amongst government officials who can have a huge impact on the development of social enterprises (2018). In general, social enterprises are viewed as charities, as not-for-profit, similar to corporate social responsibility, and as highly-financially unstable. Such lack of awareness and huge misconceptions are also a result of how social enterprises build their brand- how they transmit their message to the public. Some of the mistakes that social entrepreneurs make are focusing too much on the social value rather than the actual value that the customer receives, picking a name that does not resonate with the customers, or expecting on only the social mission to deliver the success the social entrepreneur expects (Miltenburg, 2015). These aspects are discussed in more detail in the sections below.

These huge misconceptions that exist amongst social enterprises are also a result of how the social enterprises represent themselves to the public. For example, a study on social enterprises in Kosovo shows that 30% of the participating social enterprises chose ‘Lack of business experts for marketing and selling’ as the main organizational challenge that they face (Kartallozi & Xhemajli, 2017). This shows that social enterprises lack the fundamental capacities to lead a

‘business-like’ organization which in turn exposes the fact that currently social enterprises have a more donor-focused mindset. Nevertheless, this is not only an issue for social enterprises in Kosovo, but also generally in the world. As such, it is very important for social enterprise leaders themselves to understand their organization and how it functions, in order to be more successful.

Literature Review

What are Social Enterprises

Since the concept of social enterprises is nascent, various definitions exist. The Social Enterprise Alliance (SEA) defines social enterprises as:

“Organizations that address a basic unmet need or solve a social or environmental problem through a market-driven approach”(2019)

Another definition is provided by SBI (Social Business Initiative) which is as follows:

“...an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives...” (OECD & EC, 2017)

Yunnus, a pioneer of social entrepreneurship, describes social business with the following seven principles:

- *Business objective will be to overcome poverty, or one or more problems (such as education, health, technology access, and environment) which threaten people and society; not profit maximization*
- *Financial and economic sustainability*
- *Investors get back their investment amount only. No dividend is given beyond investment money*
- *When investment amount is paid back, company profit stays with the company for expansion and improvement*

- *Gender sensitive and environmentally conscious*
- *Workforce gets market wage with better working conditions*
- *...do it with joy (Yunnus, 2019)*

Based on the previous definitions, the main theme in social enterprise definitions is that they are organizations/businesses with the aim to meet a social need through the sale of goods and/or services where dividends are paid but rather the surpluses are reinvested in the social enterprise. For the purpose of this study, the definition provided by SBI will be used.

Furthermore, in order to get a better understanding of how social enterprises function, the three major models that social enterprises adopt are discussed. According to a research done by Venturesome, 3 of the models through which social impact can be delivered through trading activities by different entities are as follows (such models in general apply to how social enterprises operate), (2008):

1. Model One: The sale of goods and/or services in itself does not have a social impact, however the profit from the sales is used for a social cause. This is also called as “the profit-generator model”
2. Model Two: The sale of goods and/or services has a social impact, but there is trade-off between financial gains and social impact. This is also known as the “trade-off model”.
3. Model Three: The sale of goods and/or services that has a social impact but also generates financial gains in correlation with social impact. This is also known as the “lock-step model”.

While also for-profit businesses or other types of organizations can take initiatives/programs that might resemble the above-mentioned models, the main difference is that the model – the aim for social good – is ingrained in all of the functions of these social enterprises since very beginning

of operating. In other words, the aim for social good is not part of a temporary campaign, but rather it sticks permanently to the enterprise's existence.

History of Social Enterprises

The social enterprise as a model or as some call it “enlightened capitalism” (Grove & Berg, 2014) is relatively new. The interest for social enterprises spiked in the late 1990s as a result of changes in political, economic and environmental spheres (Grieco, 2014). At the time, most of the traditional businesses/corporations were based solely on profit maximization; as such. Also, through the changes that the huge development that the world went through, only a small fraction of the population benefited, and the majority suffered (2014).

The social enterprise business model was considered as one of the potential solutions to the economic, political and environmental challenges at the time. In other words “The fusion of the entrepreneurial root and the social component led to the development of social enterprises as organizations in which economic activity is leveraged to pursue a social objective and implement a social change” (Grieco, 2014). Moreover, social enterprises were also seen as a helping right-hand for the governments, in which case, social enterprises could help address certain problems that the government was unable to address (2014).

The fundamental changes to the economic thinking has led the development of the social enterprise model. As such new needs have emerged thus creating a new market i.e. the social enterprise market. As Grieco explains “Increasing life expectancy, the entrance of women into the workforce, migratory flows, and the emergence of a more knowledge-based economy are just some examples of the changes we have seen” (2014). In other words, such new trends have created the need for more and more resources (goods and services) as such causing other problems in return.

Another driving force for the emergence of social enterprises is also the shrinking support provided by the government in the 1980s/1990s. For example, United States experienced a slowdown in the economy in the late 1970s, which in turn also lead to cuts in government support to nonprofits in the upcoming years (Kerlin, 2009). As a result, such nonprofits sought

financial stability through generating income by themselves through the sale of goods and/or services. A similar scenario laid out also in Western Europe. A dwindling economy lead to increasing unemployment which in turn posed a need for more support from the state i.e. welfare support. However, the state could not provide the type of help that the citizens needed and social enterprises were one of the most used mechanisms to generate employment as well as treat social problems. In East-Central Europe, political transformation, more specifically, the fall of communism, introduced the communities to a completely new environment, which also lead to high unemployment. Seizing the opportunity, many social reformers developed social enterprises to tackle social problems. In the other part of the world, more specifically, in Southeast Asia, the rise of social enterprises is also attributed to the financial crisis in 1990s, which now are mostly small enterprises that target unemployment, offer services as well as work on protecting the environment (2009).

Thus, the emergence of social enterprises is a result of problems that the government, traditional businesses or civil society organizations failed to solve. While the aforementioned regions now have experienced growth and development, as in other regions in the world, social problems persist. In other words, social enterprises are developing in both developed and developing nations. In both scenarios, social enterprises have proven to be potential solutions that contribute to social and environmental problem solving.

Poor Understanding of the 'Social Enterprises' Concept

While social enterprises have garnered a great amount of attention across the globe, still, there is a poor understanding and very damaging misconceptions about social enterprises. This holds to be true also for countries where social enterprises are considered to have flourished which will be discussed in the following section. A report by the European Commission, showed how poor understanding of social enterprises is negatively affecting the development of such enterprises (2015). For example, many stakeholders pointed out that more than often social enterprises are correlated with charities and as well as social sector activities rather than businesses. This confusion was identified more in countries such as Latvia and Romania, whereas the term 'social' in Croatia and Slovenia is negatively correlated with the social scheme structures during

the Yugoslavia time. Moreover, there is little public knowledge of already successful social enterprises which also negatively affects the ability of social enterprises to be recognized as a functional and viable form of organization (2015). In other words, there is a lack of showcasing success stories in regards to social enterprises as to demonstrate that this model works.

Another survey done by raiSE on social enterprises in Singapore showed that while there was an increase of awareness of social enterprises in comparison to a previous study, still much more needs to be done (2016). This survey showed positive correlation between customer awareness and understanding of social enterprises. In other words, those who have heard about social enterprises, also understood how such enterprises worked. However, still, there was misunderstanding of social enterprises. For example, social enterprises were most commonly linked with hiring disadvantaged people and raising donations amongst others, 73% and 45% of the respondents chose those characteristics respectively, while only 18% of the respondents selected “Make profits” as one of the characteristics of social enterprises. Furthermore, this survey showed as well the fact that people are not that much concerned with the social or philanthropic direction of social enterprise products/services, rather they are moving towards evaluating such products/services as they would evaluate any other product/service in the market (2016).

Another report by the British Council, focusing on social enterprises in Malaysia stated that the lack of awareness in regards to social enterprises is a major challenge for them to gain support and recognition in the public (2018). Also, similarly to other countries, the work with social enterprises is linked with charity and volunteer work (2018). The other study by the British Council in regards to social enterprises in Philippines emphasizes the important role that the government and the private sector can play in integrating social enterprise in the market, nevertheless, these important stakeholders are not taking such position (2017). As such, the social enterprise ecosystem does not provide the necessary conditions for the understanding and development of social enterprises.

Social Enterprises in Kosovo

The development of social enterprises in Kosovo is relatively new. As a result, also the literature available on such topic is very limited. Furthermore, a 2017 study about social enterprises in Kosovo has served as a map for social enterprises in Kosovo and recognized some of the main strengths within such sector (Kartallozi & Xhemajli, 2017). The social enterprises that were part of this study mostly represented programs for financial self-sufficiency within an existing NGO. In addition to this, this study concluded that the definition of social enterprises in regards to the current law in Kosovo is very narrow and limiting. Recommendations from this study were: the law on social enterprises should be revisited as to hinder the possible damages that it could do to social enterprises in Kosovo, as well as there should be opportunities to enhance the abilities of social entrepreneurs in Kosovo. Among others, “The lack of business experts for marketing and selling” has been stated as a huge organizational challenge. Moreover, the potential for the development of social enterprises is very high in regards to creating jobs, and various opportunities for young people in Kosovo (Loku, Gogiqi & Qehaja 2018). Besides this research that paints a general picture of the social enterprise system in Kosovo, there is no literature available specifically in relation to public perception of social enterprises or in regards to increasing awareness of social enterprises in Kosovo. However, it is emphasized that it is important to contribute towards increasing knowledge in such area.

Legal Infrastructure of Social Enterprises in Kosovo

One of the first steps that a country can take to foster the growth of social enterprises as well as address the confusion by the public about what social enterprises are, is to create a law that encompasses the activities, organizational structure, incentives amongst others, of such enterprises. Nevertheless, many states fail to do so. Kosovo has approved that law on social enterprises and it has been published in the Official Gazette of the Republic of Kosovo.

The journey to draft and approve such law has not been easy. Back in 2011 representatives of the Ministry of Labour and Social Welfare attended the “First Annual Convention of the European Platform against Poverty and Social Inclusion” where social entrepreneurship was discussed as being part of the EU 2020 strategy. This convention coupled with the Social Business Initiative

were some of the factors for the initiation of such law (Kartallozi & Xhemajli, 2017). Whereas the Concept Document for The Law on Social Enterprises was approved in 2015 where MLSW stated how such law is necessary to support social enterprises which work for the society and deserve a helping hand from the state (MLSW, 2015). Another study titled “Development of Social Enterprises in Kosovo – Legal Review” became the basis for the law for social enterprises (Kartallozi & Xhemajli, 2017). While surely such law is a step forward to creating a favorable ecosystem for social enterprises, major issues have been identified with the restrictions such law places. In order to get a better understanding of the Law on Social Enterprises, a comparison will be done to social enterprises legislation in countries where social enterprises have developed immensely. Firstly, the Thompson Reuters Foundation along with Deutsche Bank, UnLTD and Global Social Entrepreneurship Network conducted the first ever ranking poll on which are the countries where social entrepreneurship has thrived. The ranking is as follows: 1. United States of America, 2. Canada, 3. United Kingdom, 4. Singapore, 5. Israel, 6. Chile, 7. South Korea, 8. Hong Kong, 9. Malaysia, and 10. France (Thomas Reuters Foundation, 2016). In Table 1, the definitions of social enterprises from the USA and UK have been provided:

United States of America	Organizations that address a basic unmet need or solve a social problem through a market-driven approach.
United Kingdom	A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners

Table 1: Definitions of Social Enterprises by USA and UK

Whereas, social enterprises are defined in the Draft Law for Social Enterprises in Kosovo in Article 3 as follows:

“1.1.”A Social Enterprise”- is a legal person irrespective of the manner of its establishment, which contains social objectives in its charter, conducts economic activities, carries out production of goods and services in the general interest of society and integrates people from vulnerable working groups;” (Draft Law on Social Enterprises, 2017)

The comparisons between the definitions show the similarities which are: social need/social objective, commercial mind-set and reinvestment of profits in the business or community. The www.kosovo.rit.edu

latter similarity is mentioned in Article 4.1.2. However, one crucial difference is that the Law on Social Enterprises makes it mandatory for vulnerable/marginalized groups to be included whether that is in the provision of goods and/or services or on the receiving end of such goods and/or services. As Kartallozi and Xhemajli report, this puts a limitation on how social enterprises operate in Kosovo (2017). While the inclusion of such groups is desirable, it does not necessarily mean that every single social enterprise has to do so. This is because there are issues that not only affect such groups but the society as a whole.

Furthermore, the categorization of social enterprises in Article 5 is as follows:

2. Category A social enterprises shall provide services that guarantee the inclusion of marginalized persons in improving their social welfare and shall develop activities in the following fields...

1.2. Category B social enterprises shall be the enterprises that employ at least thirty percent (30%) employees from the vulnerable groups and shall be engaged in providing services useful for the society, or in growing, manufacturing, producing, processing of products for sale, as well as develop activities in the following fields... (Law on Social Enterprises, 2018)

This definition again severely limits the operation of social enterprises in Kosovo for the above-mentioned reasons. It has been recommended to provide a broader definition of social enterprises, include more activities that social enterprises can operate with to encourage more and more organizations to further their social missions, provide more incentives for social enterprises and so forth (Kartallozi & Xhemajli, 2017). Besides these constraints that the Law on Social Enterprises poses, as mentioned above, the availability of such law fosters the potential creation of a an ecosystem which enables further growth of such enterprises.

Social Enterprise Success Stories

As explained above, the social enterprise model is relatively dating only back to the 1990s, nevertheless, there are many success stories that we can draw from – one of them being Ashoka. Ashoka, or the ‘Godfather of Social Enterprises’ is an organization which has been one of the

first initiators of social entrepreneurship in the world (Bullock, 2019). This organization has supported the development of social enterprises around the world and currently has around 3,500 fellows in around 92 countries in the world (Ashoka, 2019). Ashoka's aim is to support social entrepreneurs around the world by offering financial support, membership to extensive network, as well as enhancing their mission as to make 'Everyone a Changemaker' (2019). The Ashoka fellows are creating systems level impact such as changing legislation, public policy, markets, and mindsets, amongst others.

Another social enterprise which has long been considered as very impactful is the Grameen Bank. Grameen Bank is a microcredit finance institution and community development bank which gives loans to those that need it the most – the poor (Yunnus, 2009). It differs fundamentally with conventional banking in the sense that it provides access to finance to not to those that have the greatest probability to repay the loan, but to those that show the greatest potential to make a change. Grameen Bank's mission is to provide access to sound financial services to the poor, specifically women. Other features of the Grameen Bank are: it allows for rescheduling loan payments when unable to pay in time, no interest amount is charged when the amount of interest exceeds the principal, amongst others (2009).

These two social enterprises, Ashoka and Grameen Bank, are among most successful social enterprises to exist and provide a great guide to other social enterprises on how to craft their vision and strategy to fulfill their social and environmental goals.

Methodology

The aim of this study is to analyze the current state of development of social enterprises in Kosovo, specifically to look at how they reach their customers and to analyze the public perception of social enterprises in Kosovo and how they can develop further based on such information. The aim was to collect information from both the public as well as from representatives from different social enterprises, and social enterprises experts. This primary data collection was carried out in addition to secondary data collection as shown in the literature review.

Secondary Data Collection

Availability of literature on the topic of social enterprises in Kosovo was very low. There was no literature on public perception or understanding of social enterprises in Kosovo. However, in order to get an overview of social enterprises the following papers/studies were used throughout this study: “The Rise of Future Leaders in Kosovo: Social Enterprises in Kosovo” By Indira Kartallozi and Valmir Xhemajli published in 2017; a master’s thesis that was done by Dillon Berjani at the University of Amsterdam & VU Amsterdam titled “Social Innovation in Kosovo: A contribution to the civil society” in 2017; and 2017 study done by NESst titled “Social Enterprise Ecosystems in Croatia and Western Balkans”. The latter source was not directly related to the topic at hand, however it is related to what social enterprises do and what they produce. In addition to this, the “Concept Document for Law on Social Enterprises” by MLSW was used to get a better grasp of the process of development of the law for social enterprises. Due to such limitation, literature on the public perception of social enterprises in different countries in the world was used as shown in the Literature Review section.

Primary Data Collection

Part 1: Semi-structured interviews

As part of this study, nine semi-structured interviews were conducted including seven interviews with representatives from social enterprises operating in Kosovo and two interviews with social enterprise experts. Regarding the interviews with social enterprise experts, one interview was

with a Program Coordinator at a worldwide leading organization for social enterprises; and one interview with the Director of a UK-based think tank and media company that promotes community development, social entrepreneurship, human rights etc. and is highly-involved with the development of social enterprises in Kosovo. In regards to the social enterprise representatives that were interviewed, more specifically, the selection of such social enterprises was done based on those participating in the Social Entrepreneurship Week organized in November 2018 as well as based on research through the internet. This selection was done since there is no official list of social enterprises provided by the government neither by any other institutions.

Five of the semi-structured interviews were conducted in person, whereas four of the interviews were conducted online – one was done through a video call whereas three interviewees were sent the questions through email who answered such questions also, with any follow-up questions in areas where further clarification was needed. The reason why the latter interviews were carried out online was because of location in different cities or countries, and lack of time to meet from the interviewee's side.

The social enterprise representatives were asked seventeen questions with the aim to get a better understanding of the social enterprises work. Whereas, the experts on social enterprises were asked ten questions ranging from questions in regards to the status quo of social enterprises in Kosovo as well as recommendations on how social enterprises can further develop amongst others (See Appendix 3 and 4).

Below you can find more information on the interviewees:

Interviewee 1: Manager of a social enterprise where tote bags, lavender bags, bookmarks, cards amongst others are created by women in bad economic conditions who are then conditioned to send their children to school as a return

Interviewee 2: Executive Director at an NGO, which has a social enterprise under its umbrella which sells used clothes, shoes, furniture where the returns are used to finance the socially-oriented mission of the organization

www.kosovo.rit.edu

Interviewee 3: Co-founder of a handmade knitwear shop who employs women to create such products

Interviewee 4: Founder of a social enterprise that creates lamps, furniture, bookshelves using recycled wood

Interviewee 5: Representative of an international NGO with representatives in Kosovo that offers different courses, whose profits are used to give out scholarships to orphans

Interviewee 6: Finance manager of a social enterprise that operates as a coffee and cake shop who employs students which get scholarships from the revenue of the social enterprise

Interviewee 7: Executive Director at an NGO, which has a social enterprise under its umbrella that tailors different clothes, creates accessories and other professional trainings where women are employed with the main aim to integrate them economically

Interviewee 8: Program Coordinator at a worldwide leading organization for social enterprises

Interviewee 9: Director of a UK-based think tank and media company that promotes community development, social entrepreneurship, human rights etc. and is highly-involved with the development of social enterprises in Kosovo.

Part 2: Survey

The aim of the survey was to get a better understanding of purchase behavior and social enterprise understanding in the public. The survey was distributed through social media channels due to time and budgetary constraints. The survey questions (fifteen questions in total) were asked mainly in regards to purchase behavior, social enterprise awareness, characteristics and operations of social enterprises (See Appendix 5). The survey was distributed in English. As a result, 225 people responded.

Limitations in Data Collection

One of the limitations in this part of the study was the lack of means to conduct the questionnaires in person. In turn, the questionnaires had to be distributed through social media

which was a more effective and efficient way. Whereas, in regards to the representatives of social enterprises interviewed, since there is no official list of social enterprises available, convenience sampling was used. In addition to this, many social enterprises were contacted to be part of the study, however, there was a lack of response from their side. Thus, seven social enterprises were part of the study. Nevertheless, these social enterprises were very helpful in regards to the information that they provided, and helped in understanding the social enterprise ecosystem in Kosovo.

Results and Analysis

Lack of Literature and Previous Knowledge

The social enterprise model is relatively new also in Kosovo, thus the amount of research in this area is very narrow to actually comprehend and analyze what exactly is the state of play in this sector. However, one guiding research study was “The Rise of Future Leaders: Social Enterprise in Kosovo” by Kartallozi and Xhemajli in 2017. In this study twenty-six representatives of social enterprises operating in Kosovo were interviewed as well as international experts of the field. According to this study, firstly, the legal structure of 81% of the participating social enterprises are ‘program of NGOs for financial self-sufficiency’ (Kartallozi & Xhemajli, 2017). In other words, the social enterprises are part of such NGOs with the aim to gain additional funds for the NGOs to fund the social enterprise as well as other activities which the NGO carries out. Secondly, in regards to profits from their sales of goods and/or provision of services, only 35% of the social enterprises have incurred profits that surpass 20% of their total revenues. Thirdly, the main obstacles for the social enterprises is the lack of business skills for marketing and selling, followed by costs in regards to operations, machinery, materials, and lack of support from public institutions (2017).

Moreover, social enterprises are struggling to make ends meet because of the lack of the necessary infrastructure (legal, material etc.) from the government as well as lack of the necessary skills to scale such enterprises towards sustainability and self-sufficiency. One recommendation emphasized the dire need to “invest in social enterprise capacity building” (Kartallozi & Xhemajli, 2017), which encompass education, trainings, guides for growth, and so forth. Another recommendation is to improve the law on Social Enterprises from which some of the suggestions have been discussed in the ‘Legal Infrastructure of Social Enterprises in Kosovo.’ section (2017).

A study by sNESst (2017) provides a relatively detailed analysis of the social enterprise ecosystem in Kosovo. This study points out to Kosovo’s slow economic growth meaning lack of rapid job creation, dependence on remittances as well as heavy public spending. Moreover, the

study shows that “Social enterprises in Kosovo are small entities at early stages of development; most of the are nonprofit CSOs” (NESst 2017); where the support for such enterprises is very weak. It emphasizes the need for capacity building as well as crucial infrastructure for growth is missing in the Kosovar ecosystem. While there are some initiatives which provide training and workshops, this is not enough since long-term educational opportunities need to be created in order to contribute to the long-term development of social enterprises in Kosovo (2017).

Furthermore, the NESst (2017) study identified key stakeholders for the social enterprises ecosystem such as the policy makers including: Ministry of Labour and Social Welfare, Ministry of Finance, Ministry of Trade and Industry, Ministry of Agriculture, Forestry, and Rural Development and so forth. Also, this study points out the lack of local funding for social enterprises, although there are some potential international funders such as: Yunus Social Business, USAID, UNDP, EU funding amongst others. Some of the recommendations from the NESst study included enabling better access to financing opportunities such as grant schemes, educational activities which enhance finance management skills, government grants; creation of social enterprises network and forum, long-term assistance, business incubators and so forth (2017).

Another research conducted by Berjani (2017) emphasized how many social challenges in Kosovo such as gender inequality, environmental problems, high unemployment, could be combated by social innovation which can be products of social enterprises. In addition, 503 participants were surveyed where more than 22% stated that such social challenges could be overcome by “fostering economic growth through innovative solutions”, amongst others (Berjani, 2017). In other words, this research reiterated that pursuing social innovation is a great strategy to be followed to tackle many social problems, and this research demonstrated how such social innovation can help tackle gender inequality, minority inclusion and so forth.

The lack of a sufficient number of studies shows that there is a knowledge gap that needs to be filled with more detailed research especially quantitative research so that potential investors as well as the government can see how such social enterprises can impact the communities as well as provide necessary information to potential investors.

Marketing Efforts of Social Enterprises

No matter the industry that a business/enterprise is operating in, one of the most important factors that business/enterprise must focus on is its marketing and communication strategies since this is a crucial method to reach the customers. As one of the first steps in this process is conducting a market analysis. Only three out of the seven interviewed social enterprises stated that they have done a market analysis, and that was only in the beginning of their operations. Since market analysis serves as a great map on the different trends and behaviors of the market, it can provide crucial information in order to detect new opportunities within the market. In other words, due to the lack of such analyses, such social enterprises can miss promising opportunities.

Moreover, only three out of the seven social enterprises interviewed currently have databases of their customers' data which is in accordance with respective policies and guidelines, whilst the other enterprises do not keep any type of such databases. Such basic information about customers can be used when creating marketing and/or communication strategies. In this aspect, only three out of the seven interviewed social enterprises currently have such type of strategy, while those who do not, emphasized the importance of such strategy, however the lack of specific skills in this area, but also the lack of commitment to such area, are what brought this result.

Furthermore, social media was one of the ways, which all of these enterprises use the most to reach their customers, as well as sell their products. Because of the low cost of managing and the efficiency of reaching certain targets, social media tops the list of channels that such enterprises use. Other channels are different fairs, brochures, associations and so forth. In order to gain more attention to their enterprise, special themed events have proved to be successful. One of such events was the 'Designer's week' where through partnerships, well-known Kosovo designers would offer their clothes and the shop could sell those clothes (Interviewee 2). Such partnerships helped to get the attention of the wider public through social media as well as TV and other online newspapers, which covered the event (Interviewee 2). Another very creative method that was utilized was to offer free cake to the person that does not use the phone during the time at the coffee/cake shop (Interviewee 6). Many online newspapers covered the story and thus,

drawing much attention to the social enterprise. Examples like these show that enterprises do not necessarily have to spend a lot of money in marketing in order to gain attention. Forms like this show that with creativity, one can reach a great audience.

While such marketing efforts have shown to be successful, still the mindset of social enterprise leaders leans towards grant-seeking mindset rather than entrepreneurial mindset. According to Interviewee 8, still more effort is being put into getting various grants rather than working on developing a product/service that would grant that financial stability that those grants secure temporarily. For example, social enterprise leaders do not put much effort on developing the marketing strategy and finding innovative ways to reach customers, rather there is a great focus on the social mission. However, “Customers do not buy pity”; in the sense that no matter how noble your social mission might be and no matter how badly that certain social issue needs to be dealt with, people buy a product because it fulfills their needs, while the social component is a bonus (Interviewee 8). In addition to this, social enterprises are working directly with the customers – are not paying enough attention to their needs, while mostly focusing on the social mission.

In other words, people do not buy the problem, but the solution; in the sense that whenever a social enterprise is promoting their product, they should promote the great features and functions that that product/service has, rather than directly promoting the huge problem that it addresses (Interviewee 9). Again, the social mission/features of the product/service are not the problem, but leaving behind the actual value of the product/service is. In other words, it is very important to pay attention to customer needs as well as social value, which is delivered by the sale of such good, or service.

Role of Education in Social Enterprise Development and Awareness about Social Enterprises

One of the most important factors that can contribute to further development of social enterprises is education. The lack of integration of school as well as university subjects that deal with social entrepreneurship, social enterprises or social innovation further contributes to the lack of awareness and lack of engaging in social enterprises (Interviewee 9). The introduction to such www.kosovo.rit.edu

subjects from an early age can also contribute to a greater contribution to such field, as well as increased awareness of social enterprises. While even though, there is a lack of such educational infrastructures, the younger generations are the ones trying to be change makers through innovative solutions such as through enterprises (Interviewee 8). Thus, this lack of understanding leads also to the many misconceptions surrounding social enterprises such as their perceived resemblance to charities, NGO or not-for-profits in general. Still, throughout the interviews, the role of the very easy access to information and different educational platforms was emphasized as a great way to combat such misconceptions and learn from successful practices.

However, because of the lack of awareness amongst the public of social enterprises due to lack of education in regards to social enterprises, amongst others, it might be expected that the biggest ambassadors and initiators of such new form of organization to be the leaders of such enterprises. However, based on the interviews, this is not the case. Besides participating in activities that promote social entrepreneurship or through communication with their customers, no other concrete initiative has been taken up to address the many misconceptions and in general, the lack of awareness of social enterprises by the public. However, Interviewee 6 pointed out the important role that the community plays in pushing the development of such enterprises further. This mostly refers to contributing to word-of-mouth i.e. people spreading your message. More specifically, the willingness of customers to help and promote such forms of organizations is a great addition to also increasing awareness amongst greater publics including the government, private businesses amongst others. In the same time, the product/service in itself can be used to raise awareness of the problems that the social enterprise is trying to address (Interviewee 7).

Social Enterprises in the Market

One of the most important tasks that social enterprises should try to achieve is to educate their customers about the value behind their product/service that they offer. While this poses a challenge, the social enterprises' representatives stated that they believe their customers know the meaning behind the product whether they know that through social media, personal encounters as well as through word of mouth.

However, this has not been the focus for Interviewee 2 who mentioned that their focus is to create a qualitative product that consumers would want to spend their money on and one that would be able to compete with European brands. This statement provides a crucial insight in the success of this social enterprise. While the social mission of this enterprise is intertwined since the first and last step of delivery of their products, of equal importance has been also what they are delivering – the personal value that the product represents to the customer. In other words, the entrepreneurial mindset has helped them create a product that consumers would be willing to buy regardless of their social mission. This is not to say that social enterprises should only focus on creating the product/service that consumers want, and the social mission to be secondary to that. Contrariwise, social enterprises should focus their capacities to create a product that actually fulfills the need of their customers always with the social mission in mind.

Furthermore, according to Interviewee 4, identifying as a social enterprise has helped them gain customers, however, one of the main factors that helped them grow was their customer care. The interviewee mentioned different services that they offer in regards to product maintenance, specific promotional offers amongst others, which in turn has increased customer loyalty. Adding to this, Interviewee 6 stated that even though being a social enterprise has helped them, it has also added ‘fuel’ to the misconception that they might operate as charities or NGOs.

While in general, the attribute of being a social enterprise has been labeled as positive by the enterprises, other functions that traditional businesses undertake have more value and effect to customers. Hence, being a social enterprise can be seen as value-added as well as fuel to misconceptions.

Furthermore, in regards to the connotations that the word ‘social’ might have, both expert interviewees stated that this word carries with it many negative connotations in the Kosovar society. The term ‘social’ most commonly is correlated with welfare assistance from the state as well as charities. This negatively affects to how customers as well as state officials view social enterprises. The former might not consider the value that a product and/or service from a social enterprise as one that can compete with the other product and/or service offered in the market.

While the latter one, who are crucial stakeholders in the development of social enterprises, might

www.kosovo.rit.edu

not be able to evaluate the benefits that such enterprises can offer, as such not create appropriate structures to foster these enterprises' growth. Potential solutions offered by both interviewees include branding social enterprises differently i.e. use different terminology. One alternative can be using 'business for good' instead (Interviewee 8). In other words, using different names that do not necessarily include the term 'social' as to not add fuel to the misconceptions.

Furthermore, these negative connotations are closely linked the role of education in the awareness and understanding of social enterprises as has been discussed above. In short, the exposure to social enterprises in formal education institutions i.e. during early stages of education offsets such negative connotations and thus there is a better-informed potential target audience. In addition to this, when asked about the role of the 'social enterprise' feature and how that might affect the purchasing behavior of customers, both interviewee 8 and interviewee 9 answered that it depends on the type of customer one is talking to and also how you manage to transmit such message.

The Importance of the Legal Infrastructure for Social Enterprises

The importance of the legal infrastructure for social enterprise i.e. an implemented law that guides the founding, management of social enterprises has been identified as a major advantage to social enterprise development. In addition to this, 4 of the interviewed social enterprises stated that the lack of government support is a contributing factor to such lack of awareness. In other words, the lack of a fully-implemented legal infrastructure only adds to the confusion to what exactly these enterprises are, and thus contributes to the misconceptions in regards to social enterprises.

Moreover, many difficulties would resolve with the law on social enterprises for example in doing business and as well as gaining support from the government in form of grants etc. One thing that Interviewee 4 pointed out was that one of the main goals of such law would be to differentiate them from traditional businesses in the sense of the product and/or services that they offer since the value that they deliver has social and environmental component to it. However, the law itself is not enough since besides the general public, government officials should be

educated about such enterprises, and create different programs that help the development of such enterprises.

Practices that Social Enterprises Should Follow

The practices suggested by the expert interviewees were not too different to practices that traditional businesses already follow. A primary step would be to understand the mission of the social enterprise (Interviewee 8). Since the mission will be intertwined with everything that the social enterprise does, it is very important that, in the first place, it is clear to what it wants to achieve. At the same time, understanding the market is also important. However, as already discussed above, the interviewed social enterprises do not necessarily do continuous research to understand their respective markets. At the same time, the importance of knowing your value proposition i.e. what type of customer gains, pains and jobs are you really after. The practices help clarify to the public as well as to the social enterprises what they want to achieve.

In addition to this, expert interviewees emphasized the importance of having a business plan and strategy as to how to achieve their mission. However, based on their experience with social enterprises in Kosovo, they have not seen much effort being put in these types of defining and planning procedures. Again, the effort is going towards grant finding. Instead, social enterprises should be looking for fundraising and partnership opportunities that contribute to their sustainability (Interviewee 9).

The importance of social media and the use of interactive advertising tools, along with focus groups, was emphasized in order to increase exposure of the social enterprises (Interviewee 8). Also, having a website which is one of the first points of contact with the customers, and exploring international markets, (citing the strategic market of diaspora) have been identified as major steps in further developing the social enterprises. However, while the social enterprises representatives stated that they focus their efforts on most of these tools, the lack of capacities hinders further exploitation of various advertising tools.

Survey Results

Profile of Respondents

Understanding the awareness and perception about social enterprises by the public is a major component of this research. With this aim, a survey was distributed through social media such as Facebook where 225 people have responded. Out of the 225 respondents, 61.3% were female and 38.2% were male. The predominant age category that the respondents belonged to was 18-24 with 52.9%, followed by the age category of 25-34 with 32%.

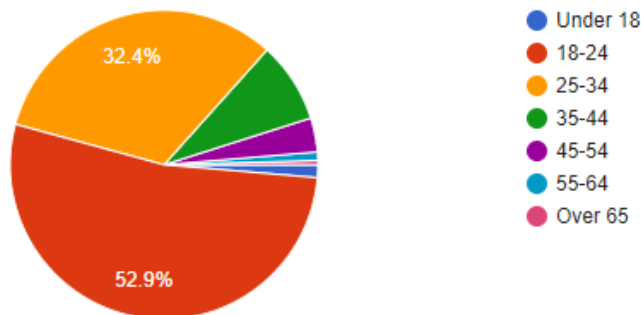


Figure 1: The age of the survey respondents

This sample gravitates towards a younger portion of the population. This can attributed to the fact that people belonging to this age category use social media more in comparison to other people from other age categories. In addition, 76.4% live in Pristina, followed by 7.1% living in Gjilan.

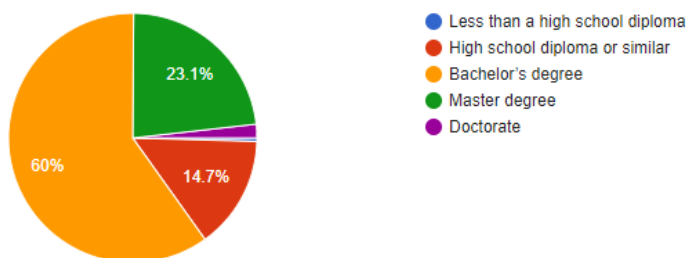


Figure 2: Level of education of respondents

Whereas, in regards to the level of education, 14.7% have a high school diploma or similar; 60% of the respondents have a Bachelor's degree followed by 23.1% who have a Master's degree.

Consumer Behavior of the Respondents

With the aim to get a better understanding of the consumer behavior three questions were posed in regards to this. The first question related to the most important factor that the respondents considered when purchasing a new product and/or service.

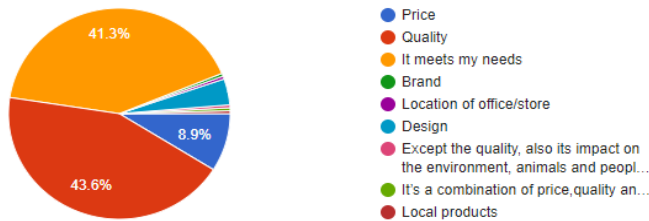


Figure 3: Factors that affect purchase

Quality proved to be a major factor in this category by 43.6% of the respondents, followed by the statement that such product and/or service meets the needs of the 41.3% of the respondents.

Whereas, price was chosen by 8.9% of the respondents. This shows that respondents pay great attention to quality, meeting one's needs and price. This should serve as an important insight to social enterprises, as to focus on quality and price, as well as fulfilling needs, which is a result of knowing one's target market. Whereas, in regards to how the respondents get information about the product and/or service, internet showed to be one of the main ways, which 71.1% of

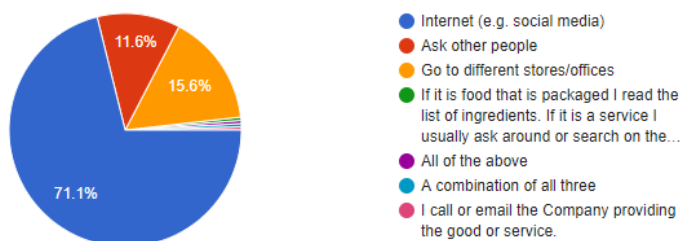


Figure 4: Methods to get information about product/service

respondents use. This is followed by 'Go to different stores/offices' chosen by 15.6% of the respondents. In turn, 11.6% chose 'Ask other people' option. This clearly points out the importance of an online presence of the social enterprises since this is the way the

overwhelming majority get information about a product/service. This is in turn linked with word-of-mouth i.e. what people say about your product/service since in this the social enterprise can contribute by creating a pleasant online presence that people can possibly say positive comments about the social enterprise. In addition, 86.2% of the respondents stated that they go to the store to buy a product, followed by 13.3% who order online.

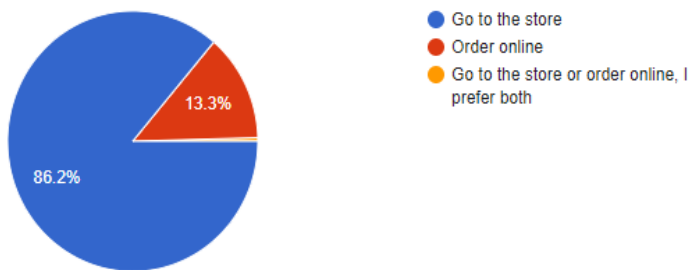


Figure 5: Preferred way of buying a product/service

While these questions are not enough to understand customer behavior in a deeper level, since this is not the focus of the study, still it shows what the respondents consider important when buying a product or service, how they get information about it and how they purchase the product or service. These

are all major factors that social enterprises take in consideration, as well as traditional businesses.

Awareness and Understanding of Social enterprises

In order to get a better understanding of the awareness and perception of social enterprises the following questions were asked.

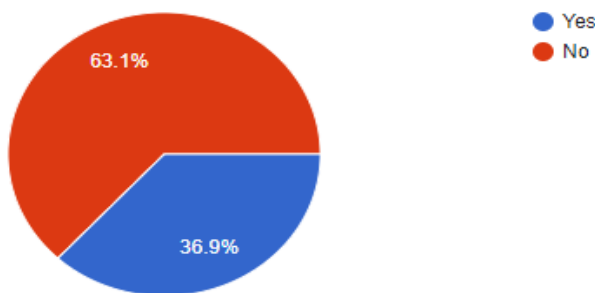


Figure 6: Awareness about social enterprises

To begin with, 61.3% stated that they have not heard about social enterprises, whereas 36.9% stated that they have heard about social enterprises as shown in the Figure 6. Whereas, when asked about how they have heard about social

enterprises, again, Internet was the major category chosen by 25.3%, followed by 'From other people' chosen by 5.4%. This again demonstrates the importance of an online presence since the internet shows to be a very important channel through which people are informed whether about a product/service in general or about social enterprises.

In order to better understand how people think about social enterprises, the respondents were asked to choose between 5 options which describe how these businesses or organizations operate. Figure 7 shows such options and the responses.

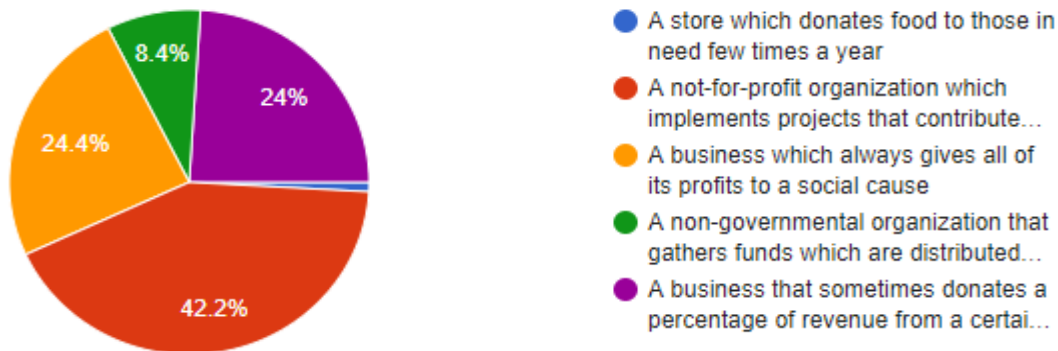


Figure 7: What respondents think a social enterprise is

The options are as follows (along with explanations):

- Blue: A store, which donates food to those in need few times a year

This is not a social enterprise; rather it shows an activity that sometimes businesses undertake to help those in need. More specifically, it is not part of their mission and they do not do it regularly.

- Red: A not-for-profit organization which implements projects that contribute to the society through funds, grants etc.

This is not a social enterprise rather it depicts exactly how some organizations operate by helping other entities through funds, or grants i.e. not generating income by themselves.

- Orange: A business, which always gives all profits to a social cause (Correct Option)

This is a social enterprise which depicts one of the main forms that these enterprises operate as. This is the sponsorship model of social enterprises.

- Green: A non-governmental organization that gathers funds which are distributed to those in need

Again, this is not a social enterprises since social enterprises gather funds in the sense to implement projects and not in the form of investments that aim to be sustainable.

- Purple: A business that sometimes donates a percentage of revenue from a certain product to charity as part of different campaigns

This is what sometimes different businesses undertake – corporate social responsibility. These campaigns are temporary, not parts of the business throughout its existence

The majority, in this case 42.2%, chose “A not-for-profit organization which implements projects that contribute to the society through funds, grants etc.” as what they think a social enterprise is. This shows the huge misconception that people have in regards to social enterprises i.e. the status of not-for-profit. This is followed by the correct option “A business, which always gives all profits to a social cause” chosen by 24.4% of the respondents. This is closely followed by the option of “A business that sometimes donates a percentage of revenue from a certain product to charity as part of different campaigns” chosen by 24% of the respondents.

These results show the lack of information about social enterprises that also exist within Kosovo. The feature of non-for-profit is visible in the perception of social enterprises. This can be attributed to the lack of education about social enterprises, the term ‘social’ itself, lack of effective marketing communication amongst others as was discussed in the semi-structured section. However, in order to understand this better, let us look at how those who have heard and those who have not heard about social enterprises have responded to this question. As mentioned above, 36.9% have heard about social enterprises constituting 83 respondents of the 225 respondents. Whereas, 63.1% have heard about social enterprises constituting 142 respondents of the 225 respondents. See Table 2 in the Page 35.

	A	B
	Have heard of Social Enterprises	Have NOT heard of Social Enterprises
A not-for-profit organization which implements projects that contribute to the society through funds, grants etc. (NGO)	1 st option (40.9%)	1 st option (44.4%)
A business, which always gives all profits to a social cause. (Social Enterprise)	2 nd option (32.5%)	3 rd option (19.7%)
- A business that sometimes donates a percentage of revenue from a certain product to charity as part of different campaigns. (CSR)	3 rd option (24.1%)	2 nd option (24.6%)

Table 2: Comparison of knowledge about Social Enterprises from those that have and have not heard about social enterprises

As can be seen by comparing Column A and Column B in Table 2, those who have heard about social enterprises are slightly better-informed. Both groups, in total, have chosen the “A not-for-profit organization which implements projects that contribute to the society through funds, grants etc.” as the first option. However, as for the second most chosen option, for those who have heard about social enterprises is the “A business, which always gives all profits to a social cause” option.

Whereas, those who have not heard about social enterprises have chosen the “A business that sometimes donates a percentage of revenue from a certain product to charity as part of different campaigns” option. While the third option for the group that has heard of social enterprises is the “A business that sometimes donates a percentage of revenue from a certain product to charity as part of different campaigns” option. Whereas, for the groups who has not heard about social enterprises “A business, which always gives all profits to a social cause” is the third option.

Overall, there are no major differences between the two groups. The same 3 options are top options for both groups i.e. pointing out to the same misconceptions that are in general in regards to social enterprises. This also points out to the fact that even those who have heard about social enterprises, the message in regards to what social enterprises actually are has not been sent as clear as to understand the social enterprise model.

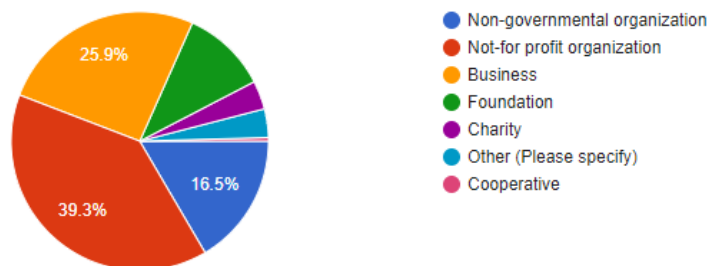


Figure 8: Responses to form of organization of social enterprises surrounding social enterprises.

Moreover, in regards to how the public thinks how social enterprises operate as, results are shown in Figure 8. 39.3% of the respondents chose not-for-profit option, 25.9% chose the business option, whereas 16.5% chose the non-governmental option. Again, demonstrating the misconceptions

Moreover, in order to get a better understanding of certain features of social enterprises that are perceived by the public, the respondents were asked to choose multiple characteristics that they thought are part of social enterprises as seen in Figure 9.

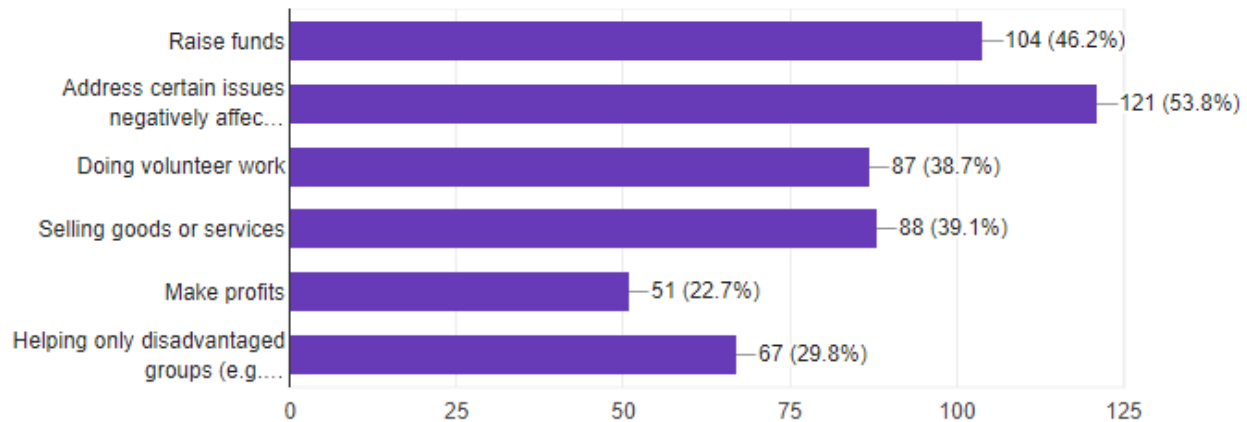


Figure 9: Characteristics of social enterprises responses

The three most chosen options are: address certain issues negatively affecting the society, raise funds, and selling goods or services, in this order respectively. Besides the ‘raise funds’, the two options are the main characteristics. While social enterprises can engage in raising funds, this does not constitute one of the main characteristics. Instead, the ‘Make profits’ option is one of the correct options (along with ‘address certain issues negatively affecting the society’ and ‘selling goods or service’). The third most chosen option – Selling goods and services – is closely followed by the option – Doing volunteer work – which as explained is one of the most common misconceptions to how social enterprises work.

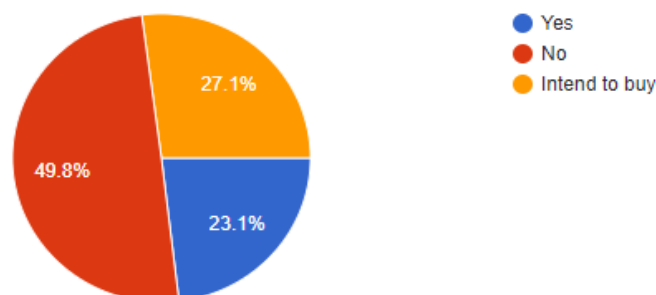


Figure 10: Purchasing from social enterprises responses

In addition, 49.8% of the respondents stated that they have never bought a product from social enterprise; 23.1% of the respondents stated that they have bought from social enterprises.

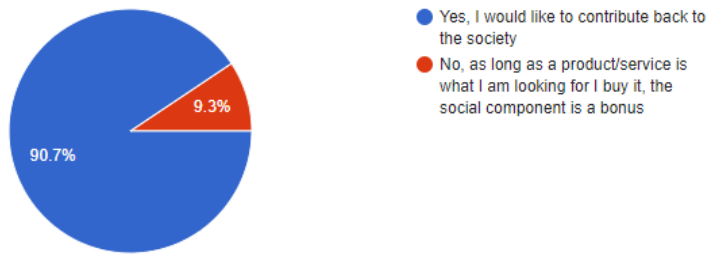


Figure 11: Intention to buy a product/service that contributes back the society

Finally, 90.7% of the respondents stated that they would be affected positively into buying a product/service if they know that contributes back to the society. In contrast, 9.3% of the respondents stated that as long as a certain product/service fulfills their needs, that is enough, the social component is a bonus. While this may seem a positive factor in regards to social enterprises, it does not seem so in combination with lack of awareness and understanding of social enterprises. In other words, based on the data from the survey, potential customers most commonly will not know what a social enterprise is, even if they do, the many misconceptions attached to social enterprises will negatively affect their intention to buy.

Conclusion and Recommendations

The aim of this research study was to analyze the current state of development of social enterprises in Kosovo and specifically to analyze the public perception of social enterprises and analyze the ways that social enterprises use to reach their customers. The primary research on this topic showed that, unfortunately, also in Kosovo there are misconceptions about how social enterprises work from both the public and the government. Also, it showed that social enterprises are not doing enough to spread out their message to the public.

Firstly, in regards to the public perception of social enterprises, survey results showed that even though some have been informed about social enterprises, still there is much confusion around these enterprises. This shows that even though such social enterprises have managed to reach those groups, still the message has been intercepted by the misconceptions. The most prevalent misconceptions were ones where social enterprises were linked with operations of not-for-profit organizations or corporate social responsibility activities.

In addition, the survey results showed that people were more willing to buy a certain product/service while knowing that that product is contributing back to the society. However, the misconceptions of social enterprises, more specifically about their products/service may negatively affect customer behavior. In other words, there is a possibility for customers to not view a product/service from a social enterprise in the way that they view other products/services in the market. In other words, since such misconceptions e.g. viewing social enterprises as charities or not-for-profit organizations, might influence the customers to view that product not as something they need but as something, they do from time to time to contribute back to the society.

Furthermore, interviews with social enterprises representatives demonstrated the enthusiasm and hard work towards their social mission, however, appropriate steps were not being taken to create the value and persuade the customers that that product/service can fulfill their needs. For example, there was a huge lack of investing time and money in strategy formulation including a business plan, marketing strategy, communication strategy amongst others. While these are

practices that every business follows, these do not appear to be present in these enterprises. This has been due to lack of skills, lack of financial means to carry out these strategies, as well as lack of awareness that these are very important tools to reach their social mission.

Moreover, the expert interviews emphasized the importance of education, the change of mindset of social entrepreneurs towards being more business-oriented, and the importance of how one brands their social enterprises as major factors of their success. One great insight from these interviews was the recommendation to not focus on the problem that the social enterprise is trying to solve, but rather on the solution. In this sense, when the social enterprise brand encounters potential customers the potential solutions for that specific problem are reflected rather than the negative aspects. Since it is important that the customer experience is a happy and relaxing one rather than one that constantly points out to the problems. Nevertheless, the problem a social enterprise is trying to address still is a serious problem, and still demands increasing awareness amongst current or potential customers. However, as mentioned earlier, social enterprises must be extremely careful when framing such problem and presenting the product/service combined with the social mission to potential customers.

Furthermore, besides trying to transmit the respective social enterprise's action, there was a lack of coordination between social enterprises. Experience-sharing and lessons learned can prove to be a great tool to how these social enterprises develop as well as create a greater network within this industry that is very new and increased exposure of the enterprises to the general public is highly-needed.

Based on this, the following represent the recommendations to social enterprises:

- *Focus on brand building*

As has been the main focus of this research study, it is very important to invest in how the public views your products/services along with how it views you as a social enterprise. Both sides are very important and also correlated as has been shown throughout this research study. Put great effort on tailoring your message to your customers and initiate various activities that highlight the value that your product/service delivers to the customers. Work on creating brand meaning

and a brand personality so it will be much easier for the customer to differentiate between different brands. Focus on emphasizing both sides: the value that is delivered and the social mission.

- *Focus on quality and differentiation*

Along with the brand building, invest in creating a product/service that delivers on the brand promise. Survey results showed that quality is one of the major factors when considering the purchase of a product/service. In this sense, analyze every step of the delivery of the product/service you offer, find the weaknesses and work on them. Getting feedback from customers is a very important step since that can provide great insight for current or future social enterprise strategies. On the same note, focus on also creating a unique product that differentiates you from the other competitors. This also is correlated with how much research that the social enterprise engages in whether that is in regards to other competitors or customers. It is crucial to grasp the opportunities to offer products/services that might be demanded. This differentiation can also be enhanced by the fact that you operate as a social enterprise. The value that you offer only by selling that product or service in addition with the value that the society gains from that, can be a distinguishing feature that immensely helps both on brand building and differentiation. However, as mentioned earlier, the way you communicate is very important.

- *Emphasize the solution, not the problem*

As been stated earlier in this text, this is one of the main recommendations provided by the social enterprise experts interviewed for this research study. This recommendation, if applied, changes the whole approach on how the social enterprise works in regards to communication with the customers. The personal value in regards to needs fulfillment is combined with social or environmental problem that has a high chance of affecting the customers' life as well. One purchase equals to contribution back to the society. This most closely is related to how you frame such message. Throughout this activity use brand ambassadors that resonate with the solution. This does not necessarily mean hiring a famous public figure, it could be a customer that has been with you since the beginning. In addition to this, using different interactive online

advertisements that increase the engagement with the brand, particularly with the solution, can in turn enhance brand exposure.

- *Create a network of social enterprises*

The aim of the network of enterprises will be a great tool to share experiences, as well as lessons learned. Since amongst social enterprises, there are many that enjoyed success, thus, they can be a sort of mentors to one another. As mentioned earlier, the greater unity between these enterprises can serve as a great means to show the government that these enterprises can function and can deliver on the state's goals, and not only on profit-making goals. Moreover, such network can increase the exposure of such enterprises to the general public by showing that they are taking concrete measure to deliver on social missions that may affect many citizens whether that is through supporting vulnerable groups, creating environmentally friendly products, amongst others.

References

- Ashoka (2019). *What we do*. Website. Accessed 2019.
- Berjani, D. (2017). *Social Innovation in Kosovo: A contribution to the civil society*. Thesis. University of Amsterdam & VU Amsterdam.
- British Council (2018). “*THE STATE OF SOCIAL ENTERPRISE IN MALAYSIA*.” Partnership with United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), Ministry of Entrepreneur Development Malaysia, and Yayasan Hasanah. Web.
- Deloitte Insights. (2018). *The Rise of the Social Enterprise*. Published by Deloitte. Web.
- Law on Social Enterprises*. Government of Kosovo. Law No. 06/L-022 FOR SOCIAL ENTERPRISES.
- Grieco, C., & SpringerLink (Online service). (2015). *Assessing social impact of social enterprises: Does one size really fit all?*. Cham: Springer International Publishing.
- Grove, A. & Gary A. Berg (2014). *Social business: Defining and Situating the Concept*. California Institute for Social Business, California State University Channel Islands. Camarillo, USA.
- Jervis, J. (2013). *Social enterprises: popular but confusing, says study*. The Guardian. Web.
- Kartallozi, I. & Xhemajli, V. *The Rise of Future Leaders: Social Enterprise in Kosovo*. Commissioned by NGO Lens, Swiss Agency for Development and Cooperation SDC, and Enhancing Youth Employment. Accessed Jan, 2019. http://helvetas-ks.org/eye/file/repository/The_Rise_of_Future_Leaders_SE_in_Kosovo_Final.pdf
- Kerlin, J. A. (Ed.). (2009). *Social enterprise: A global comparison*. Retrieved from <https://ebookcentral.proquest.com>
- Loku, Gogiqi & Qehaja. (2018). *Social Enterprises like the Right Step for Economic Development for Kosovo*. European Journey of Marketing and Economics.
- Mannion, L. (2018). *Lack of awareness holds back British businesses that do good – industry*. Reuters UK.
- Miltenburg A. (2015). *Five Mistakes That Social Entrepreneurs Make When Crafting Their Brands*. Forbes.

Ministry of Labour and Social Welfare (2015). *Concept Document for Law on Social Enterprises*.

Swee-Sum, Lam & Zhang, W. (2016). *Public Perception Study on Social Enterprises in Singapore*. NESst. 2016.

NESst. (2017). *Social Enterprise Ecosystems in Croatia and Western Balkans*. Web.

OECD & EU. (2017). *Boosting Social Enterprise Development: Good Practice Compendium*. Paris. Published by OECD Publishing. Web.

Potdar, R. (2018). *3 Reasons Why Awareness About Social Entrepreneurship Is Poor In India*. Rohan Potdar Creative Media LLP.

Social Enterprise Alliance. *What is Social Enterprise?* Accessed from <https://socialenterprise.us/about/social-enterprise/> Web.

Thompson Reuters Foundation, Deutsche Bank, UnLTD and Global Social Entrepreneurship Network (2016). *The best countries to be a Social Entrepreneur 2016*. <http://poll2016.trust.org/>. Web.

Venturesome (2008). *The Three Models of Social Enterprises: Creating social impact through trading activities: Part 1*. Charities Aid Foundation.

Yunnus, M. (n.d.). *Seven Principles of Social Business*. <https://www.muhammadyunus.org/index.php/social-business/seven-principles> Web.

Yunnus, M. (2009) *Is Grameen Bank Different from Conventional Banks?* <http://muhammadyunus.org/index.php/design-lab/previous-design-labs/43-news-a-media/books-a-articles/232-is-grameen-bank-different-from-conventional-banks>. Web.

Appendices

Appendix 1: Informed Consent Form for Social Enterprise Representatives

Informed Consent Form for Social Science Research RIT Kosovo

Title of Project: Social Enterprises in Kosovo: Public Perception and Potential Development

Principal Investigator: Majlinda Dervishi, RIT Kosovo (A.U.K) Student

Shpëtim Robaj Street

Prishtinë 10 000, Kosovo

+38344983796; mx5590@g.rit.edu

1. **Purpose of the Study:** The purpose of this research study is to analyze the public perception of social enterprises in Kosovo, as well as look at the methods that social enterprises utilize to reach their customers. Also, this study aims to increase the understanding of social enterprises, raise awareness about social enterprises and provide recommendations based on successful practices worldwide to social enterprises operating in Kosovo for further development.
2. **Procedures to be followed:** You will be asked to answer 17 questions during this interview.
3. **Duration:** It will take about 40 minutes to complete the interview.
4. **Statement of Confidentiality:** Your participation in this research is confidential. The data will be used only for the analysis of the subject matter of this RIT Honors Project which will be published online.
5. **Voluntary Participation:** Your decision to be in this research is voluntary. You can stop at any time. You do not have to answer any questions you do not want to answer.

You must be 18 years of age or older to take part in this research study. If you agree to take part in this research study and the information outlined above, please sign your name and indicate the date below.

You will be given a copy of this form for your records.

Participant Signature

Date

Person Obtaining Consent

Date

*Appendix 2: Informed Consent Form for Social Enterprise Experts***Informed Consent Form for Social Science Research**
RIT Kosovo**Title of Project:** Social Enterprises in Kosovo: Public Perception and Potential Development**Principal Investigator:** Majlinda Dervishi, RIT Kosovo (A.U.K) Student

Shpëtim Robaj Street

Prishtinë 10 000, Kosovo

+38344983796; mxd5590@g.rit.edu

- 1. Purpose of the Study:** The purpose of this research study is to analyze the public perception of social enterprises in Kosovo, as well as look at the methods that social enterprises utilize to reach their customers. Also, this study aims to increase the understanding of social enterprises, raise awareness about social enterprises and provide recommendations based on successful practices worldwide to social enterprises operating in Kosovo for further development.
- 2. Procedures to be followed:** You will be asked to answer 8 questions during this interview
- 3. Duration:** It will take about 40 minutes to complete the interview.
- 4. Statement of Confidentiality:** Your participation in this research is confidential. The data will be used only for the analysis of the subject matter of this RIT Honors Project which will be published online.
- 5. Voluntary Participation:** Your decision to be in this research is voluntary. You can stop at any time. You do not have to answer any questions you do not want to answer. You must be 18 years of age or older to take part in this research study. If you agree to take part in this research study and the information outlined above, please sign your name and indicate the date below.

You will be given a copy of this form for your records.

Participant Signature_____
Date_____
Person Obtaining Consent_____
Date

Appendix 3: Social Enterprise Expert Interview Questions

1. Which do you think are the external factors that affect positively and negatively the development of social enterprises in Kosovo?
2. Which do you think are the internal factors that affect positively and negatively the development of social enterprises in Kosovo?
3. How important do you think the marketing component of social enterprises is? For example, do you think that SEs in Kosovo do enough research about their customer before introducing any new products? Or do they have a certain marketing strategy in order to target their customers?
4. Which do you think are the most effective ways through which social enterprises should communicate with their customers to sell their products/services? For example – social media, print media, fairs, direct etc.
5. During your experience with social enterprises, do you think that when social enterprises mentioned their social mission behind their products has affected their sales positively or negatively?
6. What do you think social enterprises should do – marketing wise – in order to combat the huge misconception that social enterprises are just like charities or NGOs?
7. What are the best practices that social enterprises should follow in order to attract investment opportunities?
8. What role, besides putting in place the Social Enterprise law, should the government play in order to help Social Enterprises?

Appendix 4: Social Enterprise Representative Interview Questions

Interview: “Social Enterprises in Kosovo: Public Perception and Potential Development”

Interviewer: Majlinda Dervishi, RIT Kosovo (A.U.K) Student

Shpëtim Robaj Street

Prishtinë 10 000, Kosovo

+38344983796; mxd5590@g.rit.edu

Interviewee: Name and Surname:

Job position:

Address:

Email:

1. Information about the social enterprise:

Name of Social Enterprise:	
Founding Date:	
Services/Products/Projects offered:	
Price Range:	
Number of staff (Please specify gender of employees)	
Legal form of Social Enterprise (e.g. part of NGO, business, etc):	
Parent NGO/Company (if it applies):	
Mission:	
Financial sources of the social enterprise (e.g. grants, revenue from sales, etc)	

2. How do you sell your products and/or provide services? Do you have a shop/office? Do you think that the location of your shop/office affects your sales? If you do not have a shop, where do you sell your product?

3. From what backgrounds are your employees? Do you hire people from disadvantaged backgrounds? Do you provide any training for your employees? How do you hire people? Do they receive regular salaries?
4. Who are your main customers? Please describe as follows: demographic factors: location, age, gender etc.; psychographic factors: lifestyle, personality, social class, and behavioral factors: brand loyalty, usage rates, user status.
5. Have you ever made a market analysis, or segmented a certain market for which you have designed your product/service specifically for that market segment?
6. Do you maintain any sort of database or do you collect data in regards to how customers benefit from your products/services that you offer and/or how such products are perceived by them?
7. What are the main methods that you use to reach your customers? Which method has been the most successful up until now (e.g. social media, print, conventions, etc)?
8. Do you have a business plan? Why or why not? Do you have a marketing/communications strategy? If no, why. If yes, how do you measure the success of such strategy?
9. Do you think that your customers are aware of the meaning behind your products/services or these are considered as every other product/services offered in the market?
10. If they are aware of the social enterprise effect of these products/services, how have you been able to transmit such message?
11. Do you use the 'social enterprise' brand as a way to gain more customers i.e. emphasizing the good that comes from buying such product/service and how it has an effect in the society?
12. Do you think that such feature i.e. the social impact should be added to gain more customers or that may make your products/services seem more in the form of a charity (a common misconception) rather than a socially-oriented commercial activity?
13. Have you ever used your capacities to increase awareness about social enterprises in general?
14. What do you think are some of the main driving and inhibiting forces for social enterprise development in Kosovo?
15. As a social enterprise, have you ever done any research to see how the public views products/services i.e. with a social impact and see what affects their buying behavior in such case? If yes, can you please share the findings?
16. Have you struggled to get people to invest in your social enterprise? If yes, what do you think are the main problems that investors hesitate to invest in such enterprises? If no, can you tell us more?
17. What do you think about the social enterprise law in Kosovo which is yet to be implemented? Do you think it will help you grow as a social enterprise or not? How?

Appendix 5: Survey Questions

1. What is your age?
 - ☐ Under 18
 - ☐ 18-24
 - ☐ 25-34
 - ☐ 35-44
 - ☐ 45-54
 - ☐ 55-64
 - ☐ Over 65
2. What is your gender?
 - ☐ Male
 - ☐ Female
 - ☐ Prefer not to say
3. In which region of Kosovo do you live in?
 - ☐ Prishtina Region
 - ☐ Gjilan Region
 - ☐ Peja Region
 - ☐ Prizren Region
 - ☐ Ferizaj Region
 - ☐ Gjakova Region
 - ☐ Mitrovica Region
4. What is your level of education?
 - ☐ Less than a high school diploma
 - ☐ High school diploma or similar
 - ☐ Bachelor's degree
 - ☐ Master degree
 - ☐ Doctorate
5. Which are the most important factors you consider when buying a product and/or service?
 - ☐ Price
 - ☐ Quality
 - ☐ It meets my needs
 - ☐ Brand
 - ☐ Location of office/store
 - ☐ Design
 - ☐ Other (Please specify)

6. What are the main methods you use to find more information about a product or service?
 - Internet (e.g. social media)
 - Print media (e.g. newspapers)
 - Ask other people
 - Go to different stores/offices
 - Other (Please Specify)
7. Which is the most preferred way through which you buy a product, or place an order for a service?
 - Go to the store
 - Order online
 - Other (Please specify)
8. Have you ever heard of social enterprises?
 - Yes
 - No
9. If answered Yes to Question 4, please mention some of them:

10. If answered Yes to Question 4, how have you heard of social enterprises?
 - Internet (e.g. social media)
 - TV
 - Print media (e.g. newspapers)
 - From other people
 - Events
 - Other (Please specify)
11. Please select which of the following entities you think is a social enterprise:
 - A store which donates food to those in need few times a year
 - A not-for-profit organization which implements projects that contribute to the society through funds, grants etc.
 - A business which always gives all of its profits to a social cause
 - A non-governmental organization that gathers funds which are distributed to those in need
 - A business that sometimes donates a percentage of revenue from a certain product to charity as part of different campaigns
12. How do you think a social enterprise operates as? Please select the form of organization, which you think most closely resembles a social enterprise.

- ☐ Non-governmental organization
 - ☐ Not-for profit organization
 - ☐ Business
 - ☐ Foundation
 - ☐ Charity
 - ☐ Other (Please specify)
13. Which do you think are main characteristics of a social enterprise? You can select more than one.
- ☐ Raise funds
 - ☐ Address certain issues negatively affecting the society
 - ☐ Doing volunteer work
 - ☐ Selling goods or services
 - ☐ Make profits
 - ☐ Helping only disadvantaged groups (e.g. people with disabilities, ethnic minorities etc.)
14. Have you ever bought any products from a social enterprise?
- ☐ Yes
 - ☐ No
 - ☐ Intend to buy
15. If you knew that buying a certain product/service contributes back to the society, would that affect your intention to buy that product/service?
- ☐ Yes, I would like to contribute back to the society
 - ☐ No, as long as a product/service is what I am looking for I buy it, the social component is a bonus